Challenges and Opportunities Saskatchewan

Building and Diversifying Our Economy

March, 1989

The Hon. J. Gary Lane, Q.C.
Minister of Finance
Budget, 1989-90

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Honourable J. Gary Lane, Q.C.
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This Progressive Conservative Government believes in Saskatchewan's future. By working with the people of this Province, we can undertake exciting new initiatives to make the future our own.

The 1989-90 Budget Address highlights many of the innovative measures that this Government will undertake in the coming year. These new initiatives will position Saskatchewan people to take up the challenges and opportunities presented by a world economy in transition.

This budget document provides the details of these initiatives. It demonstrates our determination to address the needs and aspirations of the Saskatchewan people. It demonstrates our commitment to take a comprehensive, coordinated approach to the development of the Province. It acknowledges the interdependent nature of our rural and urban communities and demonstrates our firm conviction that Saskatchewan must be seen as more than simply the sum of its parts.

The people of Saskatchewan are working together to build on their accomplishments. The initiatives described in this document enable us to build the foundation for a better tomorrow.

Hon. J. Gary Lane, Q.C.
Minister of Finance

Building and Diversifying Our Economy

Introduction

Saskatchewan's essential social programs depend on the prosperity generated from economic development. Accordingly, **the Province's economy is a priority.**

This Government has implemented a development and diversification strategy to create greater economic diversity and to build stronger communities. New investment and new jobs provide a secure future for Saskatchewan families. **The strategy has three components:**

- the creation of a positive climate for economic development;
- the encouragement of public and employee participation in new business developments, Government enterprises, and Crown corporations; and,
- the strengthening of those sectors of the economy which have natural advantages.

Climate for Economic Development

The Government recognizes the need to establish a climate conducive to business development and investment. The Province's Open for Business theme encourages the growth of new businesses and new industries to diversify the Saskatchewan economy.

As part of this approach, the Government identified the need for Saskatchewan businesses to take advantage of development and trade opportunities within Canada and beyond. Accordingly, this Government:

- established the Buy Saskatchewan Agency to assist firms to secure contracts and joint venture opportunities;
- entered into an agreement with other western provinces to reduce interprovincial trade barriers in Western Canada;
- assisted our small businesses with cost-shared market research funding through the Market Development Fund;
- participated actively in the Canada-United States free trade negotiations;
- created a $1 million Export Development Fund to assist Saskatchewan industry to realize new opportunities; and,
- developed the Trade Opportunities Program to enhance international marketing capabilities.

Buy Saskatchewan

The Buy Saskatchewan Agency is an important element of this Government's strategy to assist all businesses to realize their full potential. The Agency has encouraged hospitals, school boards, local governments and businesses to seek Saskatchewan suppliers of services and products, encouraging local people to supply the needs of these groups.

Since the establishment of the Agency in 1987, it has helped Saskatchewan firms to secure more than $140 million in new contracts, resulting in the development of over 50 new product lines in the Province.

- Buy Saskatchewan negotiated with the NewGrade/Co-op upgrader to structure contracts so that Saskatchewan firms would have an opportunity to bid on them.
- Buy Saskatchewan worked with 13 Saskatchewan agricultural implement manufacturers to supply structural steel to the upgrader. These 13 firms shared in over $7 million in contracts.
- Buy Saskatchewan worked with the St. Paul's Hospital in Saskatoon on its expansion to ensure that Saskatchewan firms could bid on contracts. Approximately 85 per cent, or $54 million, of project contracts were won by Saskatchewan firms.

This Government has established a business environment that brings benefits to all Saskatchewan residents. Buy Saskatchewan is a clear example of Saskatchewan people, industry and Government working together for the benefit of all.

Canada-United States Free Trade

The signing of the historic Canada-United States Free Trade Agreement established new opportunities for Saskatchewan industry. The Economic Council of Canada forecasts that Saskatchewan will gain 8,600 jobs as a result of the Free Trade Agreement.

The livestock industry will be well positioned to benefit from more secure access to U.S. markets. Plans for Canada Packers and Intercontinental Packers to double their processing capacities will provide Saskatchewan's livestock industry with an expanded market.

As a direct result of the Free Trade Agreement, Weyerhaeuser Canada Ltd. will be undertaking a $20.8 million expansion at its Prince Albert mill to produce finished paper products for export. The Canada-United States Free Trade Agreement will provide many other opportunities for Saskatchewan firms to develop new markets.

This Government will implement new programs to assist Saskatchewan industry in the development of new export markets, including:

- a $300,000 Export Marketing Assistance Program;
- a $1 million Export Project Program; and,
- an Export Financing Guarantee Program.

In addition, the Government will initiate a Free Trade Opportunities Program to enhance Saskatchewan's trading presence within Canada and abroad. It will increase our trading presence in Ontario, the United States and the Asia-Pacific markets.

World Markets

This Government will continue to promote Saskatchewan interests at multilateral trade meetings by actively participating in the removal of international trade barriers through the General Agreement on Tariffs and Trade (GATT).

The Premier of Saskatchewan recently strengthened our links with the Asia-Pacific market by establishing greater interest in the Province's high-tech products, natural resources and agricultural and food commodities.

The Government's trade initiatives will assist companies to develop coherent, forward-looking marketing strategies. These strategies will allow them to identify and anticipate export demand for their products and to position themselves in new high-growth markets.

Assisting Management

The Government will continue to assist Saskatchewan industry to improve access to information and to enhance management skills. These are important elements of a positive climate for economic growth.

Since 1982, the Government has:

- enhanced support for business management and job skills training;
- established Business Resource Centres and Rural Service Network offices; and,
- hosted Women in Business Conferences, attended by almost 400 businesswomen annually.

This year, the Budget provides further support to these initiatives through:

- the opening of additional Rural Service Network offices to provide expanded services to farmers, Community and Rural Development Corporations and small businesses;
- enhanced funding to the Saskatchewan Research Council for technical assistance to industry in areas such as computer technology; and,
- the introduction of a Marketing Skills Enhancement Program to assist Saskatchewan companies to improve their marketing management.

Government Capital Expenditure

Capital investment provides the essential social infrastructure to the people and communities of Saskatchewan. As well, it encourages economic activity and creates jobs.

This year, the Province's $1.1 billion capital construction plan will generate economic activity and will support almost 10,000 jobs.

- Construction of education and health care facilities will amount to almost $150 million.
- SaskTel's five-year, $250 million Rural Individual Line Service program will provide enhanced service to almost 15,000 telephone subscribers.
- The ten-year Rural Gasification Program will connect almost 1,500 rural customers. In addition, SaskPower will provide $25 million in 1989 to connect 2,800 rural electrical users as a part of the Rural Underground Distribution Program.
- $121 million in highway and road construction will provide improved transportation for both industry and the public. In particular, it will improve transportation access to the North and encourage the development of forestry, mining and tourism.

The small business sector is a key component of Saskatchewan's economy. This sector generates most of the new jobs created in the Province.

Saskatchewan's business community is a reflection of the diversity of our Province's people. **Our co-operatives represent a true example of people working together to strengthen their local communities. This Province has over 1,100 registered co-operatives, with 42 new ones registered last year.** These member-controlled businesses are involved in a range of activities, including agricultural sales, retailing, finance, recreational and personal service co-ops.

The diversity of our small business operators is evidenced by the increasing number of Saskatchewan businesswomen, **who operate one in four of all new businesses in this Province.** Furthermore, **almost one-third of all new businesses established in Saskatchewan involve individuals under 30 years of age.**

This Government is committed to encouraging small business entrepreneurship in Saskatchewan.

- The Business Opportunities Saskatchewan '88 marketplace provided a forum attended by more than 7,200 people.
- Financial assistance was provided to establish the Young Entrepreneurs of Saskatchewan, a club for business people aged 18 to 35.
- The Northern Economic Development Fund provides low-interest loans to encourage development in Northern Saskatchewan.
- SEDCO provides commercial loans to encourage business development.

Last year's drought had a negative impact on this Province's small business sector, particularly in rural areas. **These small businesses will benefit from the $10 million Business Tax Assistance Program. Through this Program the local business tax burden will be reduced by an average of 25 per cent.**

This Government recognizes the value of the small business community and will assist Saskatchewan business to take advantage of emerging economic opportunities.

The Venture Capital Program was introduced in 1984 as the Province's first tax-based incentive program for equity investments. The Program provides provincial tax credits of 30 per cent to Provincial residents who invest in Venture Capital Corporations. These Corporations have invested over $75 million in Saskatchewan small businesses involved in manufacturing and processing, tourism, research and development and rural development. This Program will be strengthened this year to allow even greater flexibility in the involvement of Saskatchewan investors in small business enterprises.

This Government has expanded SEDCO's mandate to enable it to:

- provide participating loans to new small business ventures; and,
- provide working capital through loan guarantees modelled after the highly successful Livestock Feeder Guarantee Loan Program.

New initiatives will assist small industries and manufacturers to realize growing market opportunities.

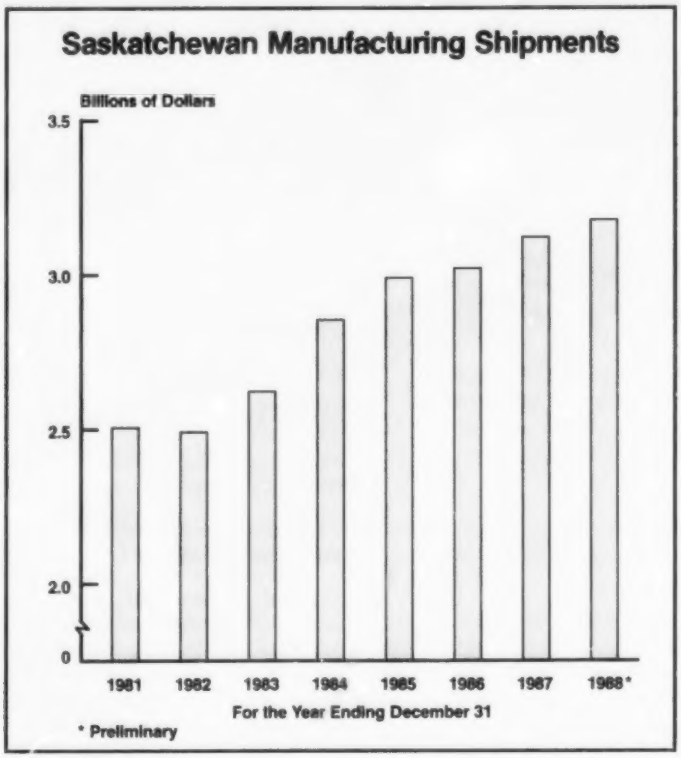
- The Project Feasibility Program will contribute 75 per cent of the cost of research directed toward assessing new market opportunities for small businesses and manufacturers.
- The Product Development Assistance Program will assist small manufacturers to improve and develop new products.

In addition, the establishment of the Saskatchewan Government Growth Fund, a government-administered venture capital fund, will provide up to $100 million in investment funds for economic development projects in Saskatchewan.

Manufacturing and Processing

In the manufacturing and processing sector, this Government's diversification initiatives continue to succeed. In addition to the completion of the Weyerhaeuser paper mill and the NewGrade/Co-op upgrader in 1988, a wide variety of other projects has been initiated or completed over the past year.

- Canron Inc. has begun construction of a $4.5 million facility near Saskatoon to produce concrete pressure pipe for irrigation projects in Western Canada and the United States.
- Hitachi Canadian Industries Ltd. has completed construction of a $2.5 million plant in Saskatoon to manufacture turbines for electric generating stations.
- Federal Pioneer is planning construction of a new $12.4 million power transformer factory in Regina, creating 65 new jobs.



Public Participation

Saskatchewan's Public Participation program builds on the strength of Saskatchewan, its resources and the skills of its people. Public participation benefits Saskatchewan people through the creation of new investment, jobs, economic growth and diversification.

Bonds and Shares

Bond and share issues of Saskatchewan Crown corporations provide the people of Saskatchewan with a direct stake in the economic development and diversification of the Province. **Over 42,000 Saskatchewan residents invested in the last SaskPower savings bond issue and over 33,000 participated in the recent SaskTel TeleBond issue. Almost 11,000 Saskatchewan residents and employees participated directly in the development of Saskoil and Westbridge through share ownership.**

Share issues in corporations such as Saskoil and Westbridge have been greatly assisted through the Saskatchewan Stock Savings Program. This Program provides provincial tax credits of 30 per cent of the value of shares purchased in Saskatchewan public corporations. Since its inception in 1986, more than 5,000 Saskatchewan investors have participated in the Stock Savings Program, with over $100 million in investment capital raised by Saskatchewan corporations. **The Government will extend this successful Program for an additional two years, to June 30, 1991.**

The $250 million Weyerhaeuser paper project and the $3 million modernization and research project at Premier Peat of Carrot River are two examples of the benefits of Public Participation. The revitalization and expansion of companies formerly owned by the Government has brought new technology, investments, jobs and value-added diversification to Saskatchewan.

Employee Participation

Employee expertise contributes much to the Province's economic development. This Government is committed to working with public and private sector employees to strengthen the Province's economic base. This commitment has resulted in employees' equity investments in enterprises formerly owned by the Government, such as the Meadow Lake sawmill and the Saskatchewan Government Printing Company. Employees are becoming shareholders in ventures such as Westbridge, Saskoil, DirectWEST, NorSask and Printco Graphics. **More than 1,000 employees have a direct stake in the growth and productivity of these companies.**

This Government initiated the Labour-sponsored Venture Capital Program (LVCP) to encourage employees to invest in small business. The Program provides a provincial tax credit of 20 per cent of investments made by employees, matched by a similar 20 per cent federal tax credit.

SaskTel's directory employees formed a new company, DirectWEST, and were the first to take advantage of the provisions of this Program to participate directly in the company where they work. An application has also been received from Printco Graphics and from the Canadian Federation of Labour to form Working Ventures, an investment pool that will involve workers from across Canada in investments in small and medium-sized businesses.

This Government will assist the Province's people and businesses in their development efforts. The process of public participation provides a stronger and more diversified provincial economy.

Building on Strengths

Building on the Province's natural strengths provides the greatest potential for economic growth. Saskatchewan people have always capitalized on the natural advantages this Province enjoys.

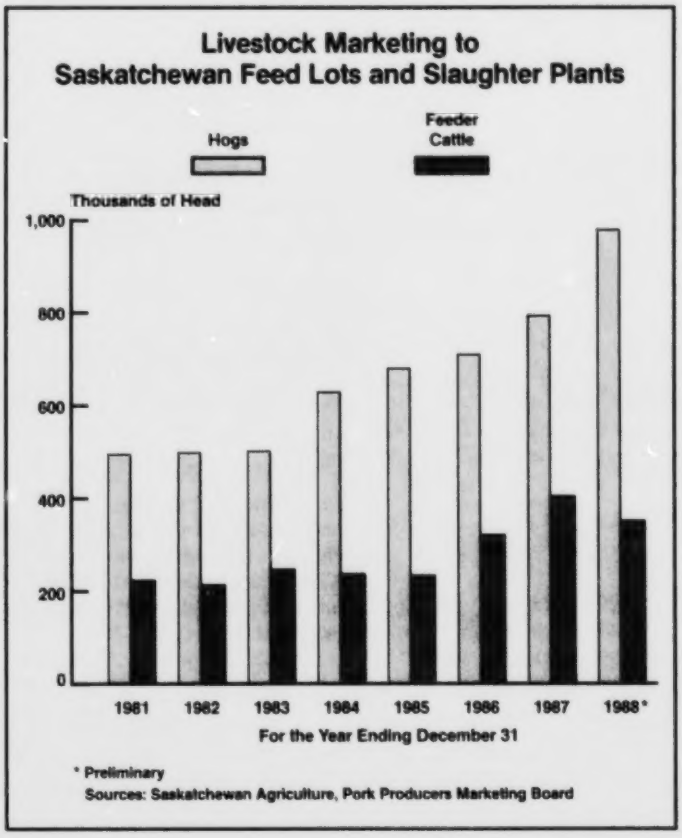
Agriculture and Food Processing

This Government is committed to the success of the agricultural industry and rural communities. It has developed initiatives in areas such as the $100 million irrigation development program, new crop production and agricultural diversification, resulting in:

- increased productivity through lands placed under irrigation;
- a $2 million Canada Packers meat processing expansion;
- a $7 million Intercontinental Packers meat processing expansion to double the plant's capacity; and,

- the $22 million construction of a rendering plant by West Coast Reduction Ltd. in Saskatoon.

One of the benefits of these developments is increased opportunity for livestock production, by forging the necessary linkages between primary production and value-added processing. Annual feeder cattle production has already increased by more than 100,000 head and annual hog marketings have increased 30 per cent since 1980.



A mandate of the new Department of Agriculture and Food has been established to broaden the Department's focus on all aspects of food production from primary production to food processing and marketing.

The Agriculture Development and Diversification Secretariat, supported by a $2 million commitment from the Agriculture Development Fund, will pursue product development and commercialization opportunities.

Forestry

Saskatchewan's forest reserves cover approximately 46 per cent of the Province. Forestry provides almost 6,000 jobs, directly and indirectly through the harvesting and processing of our forests.

The sale of PAPCO (a government owned pulp mill) brought Weyerhaeuser Canada Ltd. to Saskatchewan, resulting in the development of a $250 million world-class paper mill and 170 new, permanent jobs. More than 80 per cent of the labour and materials for the Weyerhaeuser construction project were supplied by Saskatchewan firms. **This investment brings considerable benefits to Saskatchewan industry.**

- Steel Brothers Canada Ltd. completed a $7 million plant in Prince Albert to provide production inputs to the Weyerhaeuser paper mill.
- Saskatoon Chemicals is undertaking a $25 million expansion to current operations to dramatically increase production of sodium chlorate and calcium hypochloride.

The development of Saskatchewan's forestry industry will be further advanced as a result of the new interest in the Meadow Lake region. **The sale of the Meadow Lake sawmill to its employees and local Indian bands will be complemented by an investment of $235 million in a new pulp mill.**

This Government is ensuring the future of our forest resources through a five-year, 50 million seedling reforestation program. This year, the Government will plant 10 million seedlings, at a cost of more than $5 million. This investment will contribute to sustainable economic development in the forestry industry.

Non-Renewable Resources

The resource sector is a key player in the economic diversification strategy. This Province's rich natural resource base yields economic opportunities for all Saskatchewan residents.

Investment in oil and gas exploration and recovery, mining of potash, uranium and gold and precious metals totalled over $800 million in 1988.

In 1988, Saskatchewan's resource sector rebounded.

- Potash prices increased by 40 per cent.
- As a result of deregulation, over 740 gas wells were drilled, 31 per cent more than in 1987.
- A sensible oil royalty system led to the drilling of over 1,000 oil wells, a 30 per cent increase over 1987.
- Uranium exploration expenditures increased to $44 million.
- $45 million was invested in gold and precious metals exploration.
- Interest increased in the exploration of unique geological formations, seeking a wider range of minerals, including diamonds.

This Government's Public Participation program has had a significant impact on the resource sector. It has brought marketing and technological expertise.

- KamKotia, the purchaser of SaskMinerals, introduced an employee profit-sharing plan, the first of its kind in the Canadian mining industry. KamKotia has recently announced the distribution of more than $100,000 in 1988 profits to its employees at Chaplin and Fox Valley.
- The merger of SMDC and Eldorado Nuclear established the western world's largest uranium producer, CAMECO.
- **Last year's purchase by Saskoil of underutilized natural gas reserves owned by SaskPower has contributed to the increase in natural gas activity. Public participation in SaskEnergy will continue natural gas development in the Province.**

Saskatchewan's Mineral Industry Diversification Program provides geological information for the use of the mining industry in its exploration efforts. In addition to promoting exploration for precious metals, such as platinum, gold and silver, and industrial minerals, the Program fosters technological mining advancements.

The Fossil Fuel Program was established in 1976 to encourage and develop new technologies to increase production of coal and oil resources. This Program will continue to focus on demonstration and enhanced recovery techniques in our oil and gas industry.

These initiatives, along with the Government's investment in the development of the $1.2 billion Husky upgrader, will strengthen the Province's resource base.

This Government's management efforts have brought about a remarkable turnaround in the potash industry. Production and prices have both increased substantially and the outlook for 1989 and the 1990s is even better. **So that Saskatchewan people have an opportunity to participate directly in the potash industry's optimistic future, later this year the Government will undertake a public share offering of the Potash Corporation of Saskatchewan.**

These initiatives will ensure that the resource sector will provide economic opportunities well into the future.

Tourism and Service Sector

The service sector is a major source of economic growth in this Province. Saskatchewan has a rich heritage and an abundance of scenic resources that offer attractions for visitors and residents. **This Government has acted to promote the development of tourism through:**

- $1 million in assistance to establish the Wanuskewin Heritage Park marking the cornerstone to the "Heart of Canada's Old Northwest";
- the development of a new mineral pool at Manitou Beach to revitalize this provincial attraction; and,

- national and international marketing of leisure travel, adventure and business travel, coordination of hospitality training programs and liaison with the tourism marketing industry.

This Government's assistance to the tourism industry has helped Saskatchewan attract out-of-province visitors and provide four-season tourist destinations for local residents. Efforts to develop and promote Saskatchewan tourism will continue.

An additional $1.8 million to support the development of new tourist destination sites is provided in the 1989-90 Budget. The Government will market Saskatchewan tourism at home and abroad through a $1.9 million advertising strategy.

The new Grasslands National Park is an example of the continuing cooperation of the provincial and federal governments to recognize the value of preserving a part of Canada's heritage. This Park ensures the preservation of the native grasslands, a unique setting of natural beauty, for the enjoyment of all.

Saskatchewan's service sector is growing and developing in new areas.

- The new Investment Corporation of Saskatchewan is one of Canada's ten largest institutional investment counselling firms with client assets of over $3.3 billion under its management.
- Westbridge Computer Corporation has over $6 million in new out-of-province contracts and has already created 50 new jobs.
- International Road Dynamics of Saskatoon is developing technology and computerized products for use in traffic counting and monitoring systems throughout North America.
- Co-operators Data Services Limited (CDSL) of Regina has announced plans to enter the Canadian and U.S. health care industry in the area of computerized systems.

Conclusion

This Government recognizes the challenges of building a stronger, more diversified economy. The Government has implemented an economic strategy resulting in new businesses, new jobs and economic growth for this Province.

Saskatchewan must stay this course. People, industry and this Government will work toward realizing the opportunities before us.